

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 880 - HB 986

March 10, 2015

SUMMARY OF BILL: Requires the state and all local governments selling property originally acquired by eminent domain to first offer for sale the property to the previous owner from whom the property was taken, when the acquired property was not utilized for its intended purposes within 10 years of being condemned or taken. Requires contract for sale of the property for original selling price or fair market value, whichever is lower, to be completed within 30 days; after the end of the 30-day waiting period, the taken property may be sold at fair market value.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$100,000/Recurring/Highway Fund

Other Fiscal Impact – To the extent state and local government sell condemned property for a consideration less than fair market value, there will be a decrease in state and local revenue of an unknown amount dependent upon the specifics of each transaction.

Assumptions:

- The Tennessee Department of Transportation (TDOT) reported this bill may put TDOT in violation of federal law, which requires any surplus right-of-way property acquired with federal-aid funds to be sold at current fair market value.
- On a previous but related fiscal note on Senate Bill 959 from the 108th General Assembly, TDOT indicated that being in violation of this federal law may result in the Administrator of the Federal Highway Administration (FHWA) withholding federal funds from the state pursuant to federal law 23 CFR 1.36 until such time as the FHWA declares the state is no longer in violation of federal law.
- Based on the information previously provided by TDOT, it is estimated this bill will result in a recurring decrease in state revenue of \$100,000 to the highway fund as a combined result of the FHWA withholding federal funds for being in violation of federal law, as well as a decrease in state revenue resulting from the sale of surplus property, which is sold at fair market value under current law, being sold for the price paid when it was originally acquired as a result of the bill.
- The bill requires that property be sold at fair market value or the price paid to the original owner, whichever is less.
- If TDOT and local governments are forced to sell property at a price less than fair market value, there will be a decrease in state and local government revenue; however

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due to unknown factors such as the size of the parcel of real property sold, the assessed value of the property, and the number of such incidences, the decrease in state and local government revenue cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

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